



United States Senator
Richard Shelby
REPORTS TO ALABAMA



Fair, Flatter Taxes for All Americans

By: Senator Richard Shelby (R-AL)

As the dreaded April 15th deadline for filing tax returns quickly approaches, my thoughts once again turn towards the overwhelming complexity of the current tax code and simple, common-sense solutions that are available. Today, our tax code and its regulations total more than 60,000 pages which are complicated, confusing and costly to comply with.

A glaring example of this complexity is a finding by the IRS Inspector General that 19 out of 23 income tax returns completed and filed by employees at an IRS assistance center were erroneous. If the IRS, the federal agency charged with interpreting and enforcing our nation's tax laws, has an 80 percent failure rate, how can we expect the American people to understand the tax code, much less file error-free forms? The answer is – we can not. To expect more of taxpayers than can be delivered by the IRS is absurd, and maintaining the current system only contributes to the absurdity. I believe that most Americans want a simpler, less burdensome system for paying their taxes.

Recognizing this, on January 7, 2005, President Bush created a new Advisory Panel on Federal Tax Reform, charged with advising the Secretary of the Treasury on options to reform the tax code to make it simpler, fairer and more pro-growth. On November 1, 2005, the panel made its long delayed recommendations for tax reform. While we were hoping for a bold proposal, encompassing fundamental reform, we received a watered down version of the same old Washington style tax reform. Ignoring the plea of every American for a simpler, fairer and less intrusive system, the panel made few suggestions that would significantly change the tax code, much less overhaul it. Consolidating tax brackets, eliminating a few deductions and combining popular savings programs will not simplify our tax code and will certainly not make it fairer to all Americans.

Instead, I believe and have been a longtime advocate for the implementation of a flat tax system. On May 23, 2005, I introduced, S.1099, the Tax Simplification Act, which would ultimately establish a flat income tax of 17 percent on all income and place real spending limits on government. As drafted, my proposed flat tax would replace our current incomprehensible tax code with a flat rate of 17 percent on all wages, salaries, and pensions. The only exemptions would be a personal exemption of \$12,790 for a single person; \$16,330 for a head of household; \$25,580 for a married couple filing jointly; and \$5,510 for each dependent. These allowances would be indexed to inflation.

To prevent the double-taxation of income, earnings from savings would not be included as taxable income. This would result in a tax cut for virtually all taxpayers. Businesses would pay the same 17 percent rate on the difference (if positive) between revenue and expenses. The rate of taxation would be 19 percent in the first two years of the flat tax and then lowered to

the desired rate of 17 percent in the third year. While the original flat tax bill found 19 percent to be revenue neutral, with the most recent tax cuts in 2003, I believe that a 17 percent flat tax will be revenue neutral by the time it is fully implemented in 2008.

I believe that the flat tax would revolutionize the way our government operates. Today, if a flat tax were in place, taxpayers would file a return the size of a postcard. Rather than spending hours poring over convoluted IRS forms, or resorting to professional tax assistance, the flat tax would allow taxpayers to complete their taxes quickly and easily. The flat tax would decrease the cost of compliance to the government and would represent a massive reduction in the tax burden carried by hardworking Americans. I intend to continue to work with my colleagues to enact my flat tax proposal and provide these much-needed benefits to the American taxpayer.

Over the years, many have argued that I should support a national sales tax rather than a flat tax. While I support the concept of a national sales tax, I have concerns about implementing such policies without a simultaneous repeal of the 16th Amendment to the Constitution. The 16th Amendment allows Congress to “collect taxes on incomes, from whatever sources derived, without apportionment among the States, and without regard to any census or enumeration.” Enactment of a national sales tax without repeal of the 16th Amendment could ultimately result in Congress levying both a federal income tax and a national sales tax, further increasing the tax burden on the American people.

Instead, I support a flat tax, which would work within our current structure without requiring a repeal of the 16th Amendment. I believe that the flat tax encourages savings in a more efficient manner without leaving the federal budget vulnerable to fluctuations in our economy. Under a flat tax, government revenues would not fluctuate as severely because of changes in the economy as they would with a national sales tax. This is the same problem that many state budgets are facing today because they spend too much on sales taxes.

The time for significant reform of our tax code is now. Proposed amendments to the current tax code only perpetuate the complexities and inequalities of the current system. We have a small but clear window of opportunity to overhaul our tax code, and it is time that the United States Congress seriously considers comprehensive tax reform. While it is unclear what reform will ultimately be considered, I believe that a flat tax should be part of the debate. A flat tax would not only simplify the tax code so that all taxpayers could easily complete their own returns, it would also treat Americans equally. Only by treating every taxpayer equally can our tax code achieve true fairness.



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Putting Alabamians First

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Almost twenty years ago, I made a commitment to the citizens of Alabama to visit every county in the state each year to listen and learn about the issues most important to them. Since that time, I have held 1340 county meetings. These meetings have been essential to learn the thoughts and concerns of Alabamians across the state. On Monday, February 13th, I wrapped up my county visits, holding my 67th meeting since January 9th in Lawrence County, Alabama.

Over the years, these meetings have provided Alabamians an open forum to voice their concerns, frustrations, successes, suggestions and opinions on the activities of our government. This year was no different, providing all in attendance an opportunity to discuss the important issues facing our state and nation with me and fellow Alabamians.

This year, as in years past, a few issues dominated the discussions during these visits. In particular, Alabamians seemed to be most interested in the economy, immigration, transportation spending, the new Medicare Part D plan, and the ongoing War on Terror. While some of these issues are of national significance and others are specific to Alabama; hearing about them and learning the different views of citizens from across the state helps me better represent all Alabamians.

Like many Alabamians, I am watching the economy closely, and I believe that the economy is hot. Businesses are doing well, consumer spending remains strong and we are creating new jobs – throughout the country and more importantly, in Alabama. Today Alabama's unemployment rate is 3.5 percent, lower than the national average of 4.7 percent. During my visits around the state, I was encouraged by news of county's successes in recruiting new businesses and bringing new jobs to the county and surrounding areas. While there are still those counties who struggle with high unemployment levels, I believe that job creation in these areas is possible and it is a goal that we should all work together to achieve.

I believe that the tax cuts, passed in 2001 and 2003, are an essential component of the economic growth we are currently experiencing. This tax relief allows all Americans to keep more of their hard-earned money, while encouraging investment and allowing businesses to expand. I agree with the President that we must make these tax cuts permanent. If we do not, every

American would face a tax increase and we would run the risk of derailing our economic prosperity.

The exploding problem of immigration is an issue that troubled many Alabamians, and I share their concerns. I have long believed that our nation must have strong controls on the influx of illegal immigrants. I believe that the President's immigration proposal is headed in the wrong direction by, in essence, granting amnesty to illegal immigrants currently residing in the United States. Ours in a nation of laws and the President's proposal sends the wrong message to legal immigrants and those waiting patiently and following the law to come to the United States. The number of illegal immigrants crossing our borders unchecked each year is proof that our current system is broken and must be fixed. That is why I plan to vote for the strongest, most meaningful immigration reform that comes before the Senate.

As a member of the Senate Appropriations Committee and former Chairman of the Appropriations Subcommittee on Transportation, I have worked diligently to increase the amount of federal funding that Alabama receives to improve our roads and infrastructure. Today, Alabama receives more federal transportation dollars than ever before, and this funding is helping to spur economic growth throughout the state. I believe that investing in our transportation and infrastructure system is essential to Alabama's long-term vitality because it creates business opportunities, increases our competitiveness, and brings jobs to some of the state's most needy regions.

During my travels, people were quick to bring to my attention the issues they were encountering with the Medicare Part D program. Many of you have expressed frustration with the complexity of the program and difficulties in obtaining your benefits. In particular pharmacists have been overwhelmed by the problems that seniors have encountered and have taken on the role of mediator to ensure that seniors get the drugs they need.

I believe that the goal of the program was an important one – to provide seniors with the first comprehensive drug benefit ever available under the Medicare program. Unfortunately, as many of you have rightfully pointed out, it has been plagued by problems. I believe that problems are to be expected with the implementation of any program as large as the prescription drug pro-

gram. However, I also believe that we can and should work to address these issues to make the program as accessible and easy to understand as possible. I plan to continue to work with the Centers for Medicare and Medicaid Services to ensure that the remaining problems are fixed so that all eligible beneficiaries can receive the help they deserve in a timely and efficient manner. If we discover that the program continues to be plagued by problems, I believe that Congress action to ensure that seniors receive the drug benefit that was intended.

Finally, the topic of Iraq weighed heavily on the minds of Alabamians. I continue to believe removing Saddam Hussein's repressive regime from power was fundamental to our success in fighting the War on Terrorism. By destroying a sanctuary for terrorists, the Iraqi people are now able to construct a country based on a constitution that will ensure freedom. I believe a democratic Iraq is integral to attaining stability in the region and those trying to block the rise of democracy in Iraq cannot be allowed to win.

Over this past year, we have made steady progress: voter turnout has increased significantly in each of the three elections; over 214,000 Iraqi security forces have been trained and equipped, now outnumbering American and coalition forces; and we have captured 116 al Qaeda operatives. I am proud of the work our service members have done to accomplish these goals, and I am committed to providing them with the resources necessary to complete their mission. I remain steadfast in my belief that we must not cut and run. When the Iraqis are able to take on more of the fight, our troops will come home. As they stand up, we can stand down.

I extend my thoughts and prayers to those still serving in Iraq, their families here at home, and especially those who have lost loved ones defending our freedom in the War on Terrorism. Like all Americans, I readily await the day when our armed forces can return home from operations supporting the War on Terrorism.

During my travels across the state, many other issues were discussed, and I will keep the priorities of each county in mind. I look forward to starting off each year traveling the state and hearing from the people. I am honored to represent Alabama in the United States Senate, and I will continue to work in the best interest of our state and our nation.